

More Funds Are Available for Many Infrastructure Programs

Funding increased or remained unchanged in 1997 for most Federal infrastructure programs, including environmental, transportation, and other public works programs. The major new Federal infrastructure initiative is a 7-year program for financing drinking water systems.

Along with the passage of legislation clarifying environmental regulations and providing for increased regulatory enforcement, funding for most Federal environmental infrastructure programs has increased sharply for 1997. Of major significance was reauthorization of the Environmental Protection Agency's (EPA) Safe Drinking Water legislation (P.L. 104-182), which created an important new Federal aid program to help States finance new and improved local drinking water systems (see article on Safe Drinking Water Act). This measure makes available grants over 7 years to capitalize State Revolving Funds (SRF) that issue loans to help finance local improvements in drinking water facilities. In 1997, nearly \$1.375 billion is available for the new Drinking Water SRF.

Also new in 1997 is EPA's \$50-million Hardship Grants Program for Rural Communities, administered under the \$625-million (1997) Clean Water SRF program, which finances the construction of wastewater treatment facilities. Under the Hardship Grants Program, small (fewer than 3,000 residents), disadvantaged (high unemployment, low income) rural communities are eligible for assistance in planning, designing, and constructing wastewater treatment facilities (fig. 1).

The U.S. Army Corps of Engineers received \$4.5 billion in 1997 for new flood-control, navigation, and dredging projects (P.L. 104-303). The law provides \$3.8 billion in Federal aid for 31 major water projects, plus nearly 60 smaller projects, benefiting areas such as the Florida Everglades and Cook Inlet, Alaska, and is supplemented by an additional \$700 million in State and local government funds for these projects.

USDA's environmental infrastructure programs have received large funding increases. The largest USDA infrastructure program, the Water and Waste Disposal Program, provides loans and grants to small rural communities for financing wastewater systems. This program received \$1.1 billion in 1997, nearly 25 percent above the 1996 level (table 1). This aid supports USDA's Water 2000 initiative, which aims to deliver safe, affordable drinking water by the year 2000 to the estimated 2.5 million rural residents with serious drinking water problems, including over 400,000 rural households that lack complete plumbing facilities. The highest levels of aid go to persistent-poverty counties in the South (fig. 2).

Most Transportation Programs Receive Increased Funding

The Department of Transportation's Highway Planning and Construction program, which provides grants for Federal-aid highways, is funded at \$20.1 billion in 1997, just \$163 million more than in 1996. This program is important in nonmetro counties, especially in the West where per capita allocations are highest. The Nonurbanized Area Formula Apportionments (section 5311) Program, which funds rural public transportation, received a 5-percent increase. This program is especially important in parts of the South.

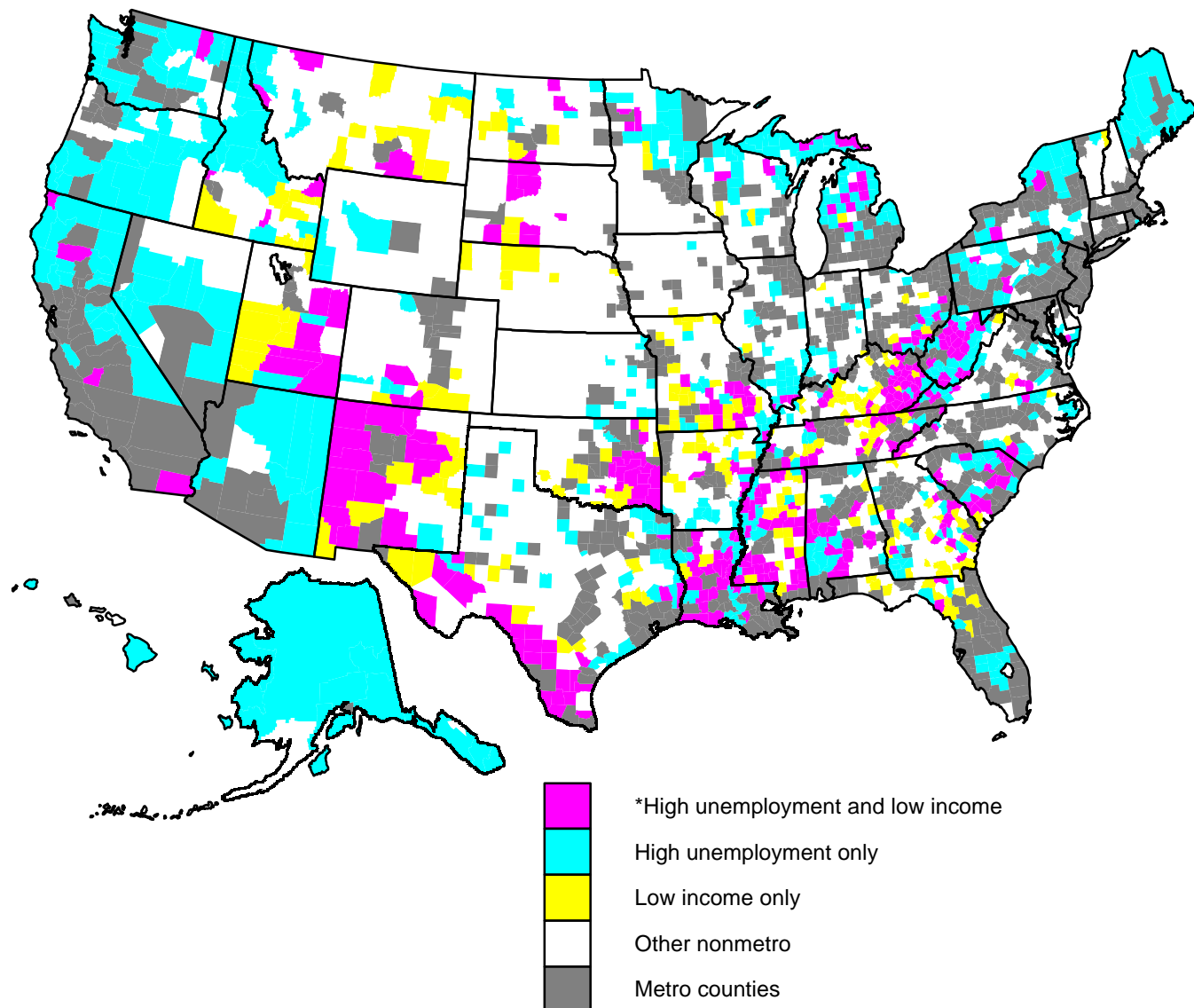
The Federal Aviation Administration (FAA) received an appropriation of \$19.5 billion over 2 years and, in addition, will receive proceeds from the airline ticket tax (10 percent on domestic tickets), which was reimposed in 1997. Both measures allow for continued funding of the \$1.46-billion Airport Improvement Program, which provides grants for rural airport capital projects, such as runway repaving, control tower improvements, and aviation safety projects. The \$26-million (1997) Essential Air Services Program, which funds air service to small communities that lost service after deregulation, received a 15-percent increase for 1997, the largest percentage increase of any rural transportation program.

Passenger rail service received a 13-percent funding increase for 1997, with \$844 million available for Amtrak in 1997. Even with the funding increase, Amtrak is operating under tight budgetary constraints (with funding down over 15 percent from 1995), after having been forced to cut back service on a number of rural routes in recent years. The Local

Figure 1

Overlap of high unemployment and low per capita income, 1994

Counties with both high unemployment and low income are concentrated in the South, New Mexico, Utah, Northern Plains, and parts of Texas along the Mexican border



* Counties have high unemployment (greater than 7.1 percent) and low per capita income (less than \$14,700).

Source: Calculated by ERS using data from Bureau of Economic Analysis and Local Area Unemployment Statistics (LAUS), Bureau of Labor Statistics, Department of Labor.

Rail Freight Assistance Program, which provides money for maintenance of rail lines affected by freight carriers' abandonments or cutbacks, received no new funding, but it continues to operate on unspent funds.

Change in Other Infrastructure Programs

Some USDA infrastructure programs were cut. The Rural Housing Service's \$194-million (1997) Community Facilities Loan Program, which provides essential community facilities in rural areas, was reduced more than 27 percent from the previous year in both the direct and guaranteed loan programs. The funding cut resulted partly because Congress

Table 1

Summary of selected rural infrastructure programs*Some USDA infrastructure programs had big funding increases in 1997*

Program	Federal funding by fiscal year			Rural areas most affected by the program
	1996	1997 projected	Change	
	Billion dollars	Percent		
USDA Rural Water and Waste Disposal Grants and Loans	1.05	1.31	24.5	Persistent-poverty counties in the South
USDA Rural Electrification Loans	.82	.83	.2	Totally rural and persistent poverty counties
USDA Rural Telecommunication Loans	.37	.50	35.2	Totally rural counties in the South
USDA Community Facilities Loans	.27	.19	-27.5	Totally rural counties in the West and South
USDA Distance Learning Loans and Grants	.01	.16	1,862.5	Persistent-poverty counties in the Midwest and West
DOT Highway Planning and Construction Grants	19.97	20.13	.8	Counties in the West
DOT Airport Improvement Grants	1.45	1.46	.7	Services-dependent and Federal land counties
DOT Nonurban Public Transportation	.11	.12	4.5	Counties in the South
EPA Clean Water State Revolving Fund (SRF)	1.35	1.35	0	Counties in the Northeast and Midwest
EPA Drinking Water SRF	0	1.28	—	Information not yet available
EDA Public Works Grants	.17	.17	0	Manufacturing counties

Program level, unless otherwise indicated.

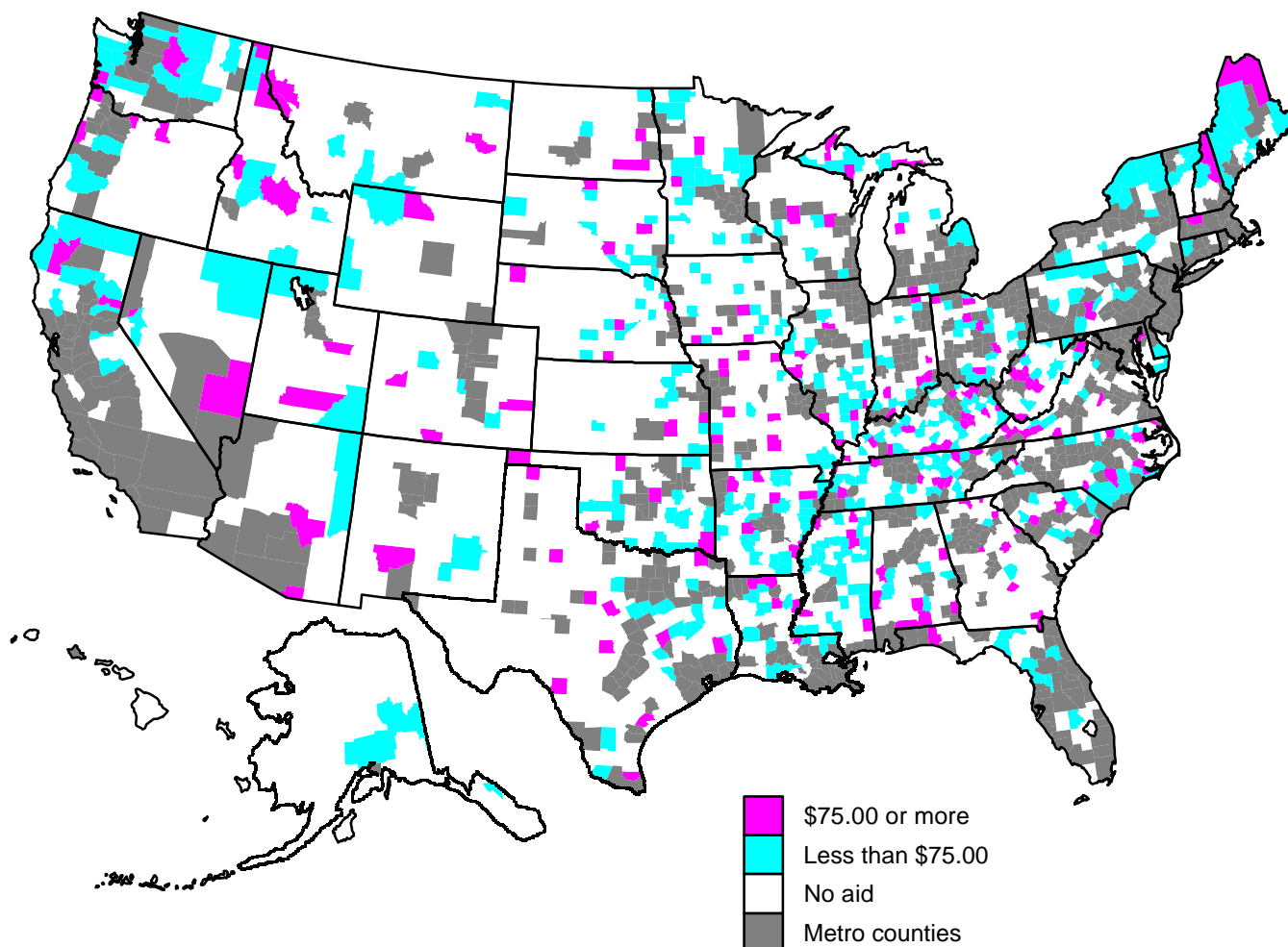
Amounts shown for the Clean Water SRF take into account a transfer of funds from the Drinking Water SRF.

Source: Budget of the United States Government, fiscal year 1998.

reduced budget authority for loan and grant programs included in the Rural Housing Assistance Program and partly due to other factors. Funds are allocated to each State proportionately based on its rural population, with the program mainly assisting rural areas in the South and the West in recent years. The Forest Service's \$262-million (1997) Payments to States Program, which provides grants for public schools and roads on national forest lands, was also cut, modestly, by 2 percent.

In contrast, most telecommunications programs have more funding in 1997. USDA's \$495-million (1997) Rural Telecommunications Program grew by 35 percent over 1996 levels, and the \$176-million (1997) Rural Telephone Bank Program increased by nearly 40 percent. These programs, particularly important in the rural South, provide loans for upgrading and expanding telecommunications facilities that serve rural residents. USDA's \$157-million Distance Learning and Medical Link Program, which provides loans and grants to serve rural education and health care facilities through telecommunications, was greatly expanded in 1997. Program funding increased nearly twentyfold over the previous

Figure 2

Per capita aid for USDA's Water and Wastewater Disposal Program, fiscal year 1995*Aid was highest for persistent-poverty counties, especially in the South*

Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

year to meet the huge demand for program funds. The Commerce Department's Information Infrastructure Grants Program, which promotes the widespread use of advanced telecommunications (the so-called Information Superhighway) throughout the Nation, had no funding change in 1997. This small, \$21.5-million program (1997) benefits rural areas by using telecommunications to improve the quality and accessibility of various teleservices, such as health care and education.

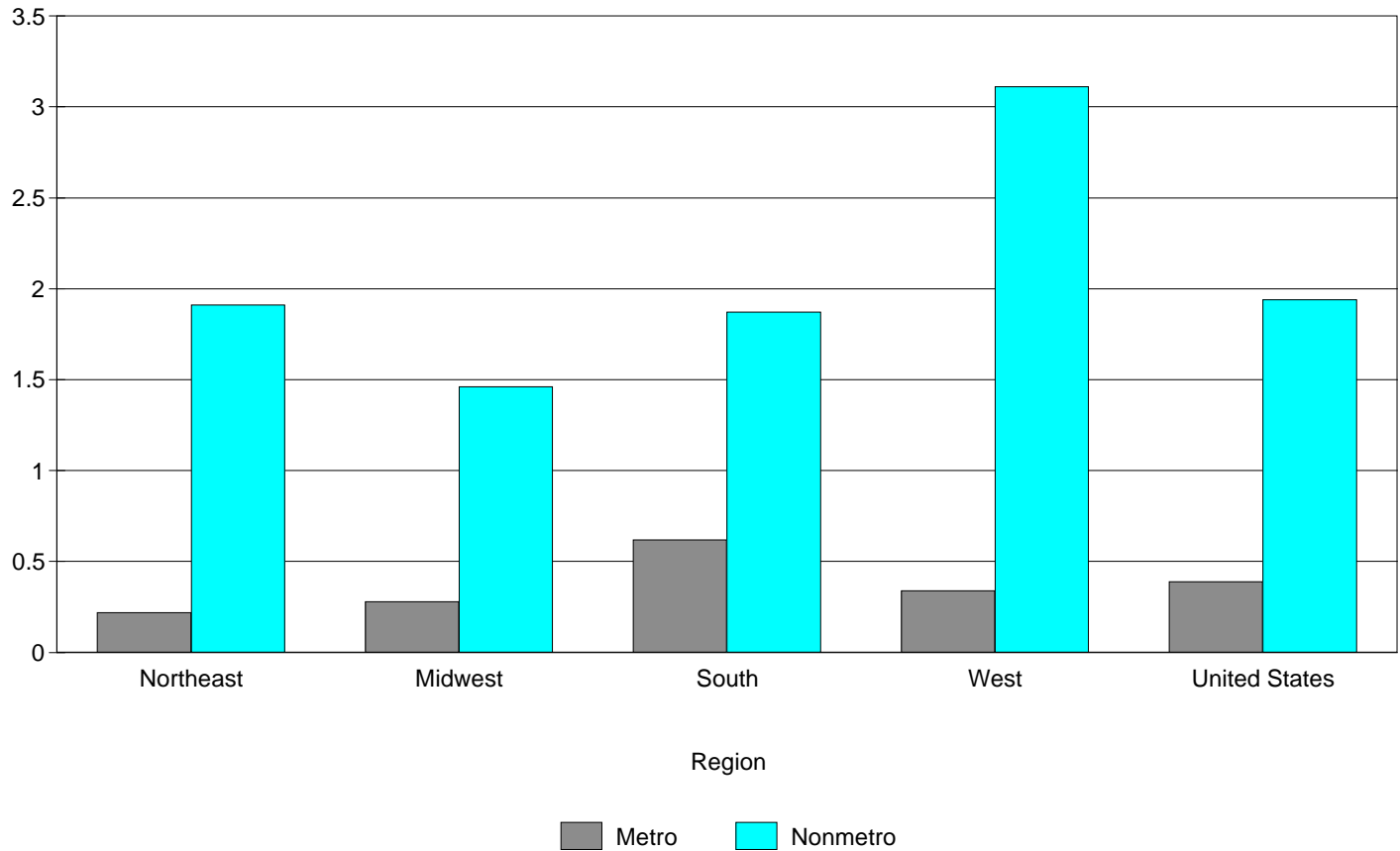
Funding for USDA's \$825-million (1997) Rural Electrification Program, which provides loans for upgrading and expanding electric services to rural residents, was unchanged in 1997. This aid supplements money available from private credit sources and was most important to rural residents in totally rural areas and persistent-poverty counties in 1995.

Economic Development Administration (EDA) public works grants help distressed communities create jobs by attracting new industries, promoting business expansion, and diversifying local economies. This program particularly benefited the rural West in 1995 (fig. 3). EDA funds have been used for a variety of public facilities such as water and sewer systems, industrial access roads, port and railroad facilities, schools, and business incubators. Funding for the EDA Public Works Grants Program remained unchanged at \$165 million.

Figure 3
Per capita funding for EDA public works grants, fiscal year 1995

Nonmetro counties in the West received the most aid

Dollars



Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

Rural infrastructure will also benefit from the Fund for Rural America, which is providing \$47 million for various rural development activities in 1997, including \$8.4 million for Water and Waste Disposal grants. This fund is expected to provide additional infrastructure funding in 1998 and 1999. [Dennis Brown, 202-219-0329, dennisb@econ.ag.gov]